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Arizona Corporation Commission  
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FEB 13 2007

Michael W. Patten  
Roshka DeWulf & Patten, PLC  
One Arizona Center Street  
400 East Van Buren Street, Suite 800  
Phoenix, Arizona 85004

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RE: Valencia Water Company, Inc. ("Valencia") and Water Utility of Greater Buckeye, Inc. ("WUGB") – Joint Application requesting approval to transfer Water Utility of Greater Buckeye, Inc.'s assets, including its Certificate of Convenience and Necessity (CC&N), to Valencia Water Company, Inc.  
Docket Nos. W-01212A-06-0666 and W-02451A-06-0666  
INSUFFICIENCY LETTER #2

Dear Sir:

In reference to the above mentioned application filed on October 16, 2006, and the supporting documents filed on January 16, 2007, this letter is to inform you that the application still has not met the sufficiency requirements as outlined in the Arizona Administrative Code. The deficiencies are:

1. Based on submitted data, Staff concludes that Valencia and WUGB's existing water systems lack adequate well production capacity or storage capacity (or both) to serve the existing customer base. Also, there are water quality issues related to arsenic. Please provide a report for the existing water systems improvements. The report should outline plans to resolve existing water systems capacity inadequacies and water quality issues associated with arsenic treatment.
2. According to the Application, there are plans for a recharge project, addition of pipeline to the Valencia system which will provide a new water source, and consolidation of Valencia and WUGB. According to the submitted response to Staff's Insufficiency Letter, the Company is planning to add at least 13 new wells to Valencia water system within the next 2 years and install water treatment systems.

It's not clear if Valencia and WUGB's water systems will be interconnected. It is also not clear if and when the Valencia water system will be connected to the recharge project. Please explain.

3. Please provide a report for the future water infrastructure and treatment. The Report should include the following data:
- a). Description
  - b). Location (layout plans)
  - c). Capacities
  - d). Costs
  - e). Projected date of operation

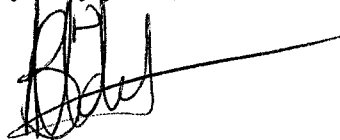
Staff would like to use this opportunity to bring the following to your attention:

- Pursuant to the Arizona Administrative Code ("A.A.C.") R-14-2-411(C), the time-frame for administrative completeness review shall be suspended from the time the notice of deficiency is issued until staff determines that the application is complete. Upon meeting sufficiency requirements, the Commission has 150 calendar days for its substantive review. This includes conducting a hearing and preparing Opinion and Order to present to the Commission at an Open Meeting.

**Please file your response to this Insufficiency Letter with Docket Control.**

If you have any questions concerning this matter, please do not hesitate to contact me at 602-542-0840 or Katrin Stukov at 602-542-0941.

Very truly yours,



Blessing N. Chukwu  
Executive Consultant III

BNC

cc: Docket Control  
Del Smith  
Lyn Farmer  
Brian Bozzo  
Vicki Wallace